

**REPORT OF THE AUDIT OF THE  
BRACKEN COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2004**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
BRACKEN COUNTY FISCAL COURT**

**June 30, 2004**

The Auditor of Public Accounts has completed the audit of the Bracken County Fiscal Court for fiscal year ended June 30, 2004.

We have issued an unqualified opinion, based on our audit, on the governmental activities, each major fund, and aggregate remaining fund information financial statements of Bracken County, Kentucky.

**Financial Condition:**

The fiscal court had net assets of \$2,760,426 as of June 30, 2004. The fiscal court had unrestricted net assets of \$1,246,416 in its governmental activities as of June 30, 2004. The fiscal court had total debt principal as of June 30, 2004 of \$629,342 with \$39,342 due within the next year.

**Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Leslie Newman, Bracken County Judge/Executive  
Members of the Bracken County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Bracken County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Bracken County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Leslie Newman, Bracken County Judge/Executive  
Members of the Bracken County Fiscal Court

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bracken County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2005 on our consideration of Bracken County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
March 11, 2005



## BRACKEN COUNTY OFFICIALS

For The Year Ended June 30, 2004

### **Fiscal Court Members:**

Leslie Newman	County Judge/Executive
Matthew Clark Hennessey, Jr.	Magistrate
Neil Brumley	Magistrate
David Kelsch	Magistrate
Scotty Lippert	Magistrate
Timothy Figgins	Magistrate
Dennis Jefferson	Magistrate
Perry Poe	Magistrate
Wilma Jones	Magistrate

### **Other Elected Officials:**

Edward Rudd	County Attorney
Gary Riggs	Jailer
Rae Jean Poe	County Clerk
Catherine Riggs	Circuit Court Clerk
Mike Nelson	Sheriff
Steve Thornsbury	Property Valuation Administrator
John G. Parker	Coroner

### **Appointed Personnel:**

Judith F. Brothers	County Treasurer
Tina Cummins-Hargett	Finance Officer



**Leslie L. Newman**  
Bracken County Judge/Executive  
P.O. Box 264  
Brooksville, KY 41004  
Office: (606) 735-2300 Fax: (606) 735-2615

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Bracken County Fiscal Court's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2004.

### FINANCIAL HIGHLIGHTS

The County's total revenues for the year exceeded total expenses by \$142,801 (excluding prior year surplus) for the year, resulting in an increase in total net assets of 13% over the previous year. The increase is attributed to the County's operation of its governmental activities.

The County received a \$36,859 grant for Homeland Security and purchased equipment.

The County received an \$11,133 medical grant that was passed through to the Bracken County Ambulance District.

The County received a \$5,000 grant that will be used in cemetery clean-up.

The County received \$25,000 in application fees for cell towers that will be constructed in the county.

The County decreased debt principal by \$60,225 due to the pay down of the 911 operating system, courthouse renovation and road loader debts.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The management discussion and analysis serves as an introduction to the County's basic financial statements, which are the government-wide financial statements, fund financial statements, and notes to the financial statements. This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting standards Board (GASB) Statement No. 34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the County's annual report.

**Government-wide Financial Statements.** The government-wide financial statements report information about the overall finances of the County similar to a business enterprise. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations.

The statement of net assets presents information on all of the County's assets less liabilities, which results in net assets. The statement is designed to display the financial position of the County. Over time, increases or decreases in net assets help determine whether the County's financial position is improving or deteriorating.

**Bracken County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

The statement of activities provides information which shows how the County's net assets changed as a result of the year's activities. The County's governmental activities include general government, protection to persons and property, general health and sanitation, social services, recreation and culture, transportation facilities and service, and roads.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate fiscal accountability.

**Governmental Funds.** Government funds are used to report the County's basic services. The funds focus on the inflows and outflows of current resources and the balances of spendable resources available at the end of the fiscal year. Governmental fund statements provide a near- or short-term view of the County's operations.

Six governmental funds were used by the County in fiscal year 2004: General, Road, Jail, L.G.E.A., Special, Senior Citizens, State Grants, and Federal Grants.

The County adopts an annual appropriated budget for its funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

**Government-wide Financial Analysis.** In future years, when prior year information is available, a comparative analysis of government-wide information will be presented.

**Governmental Activities.** For the year ended June 30, 2004, the County's governmental activities were funded as follows:

## **OVERVIEW OF GOVERNMENTAL ACTIVITIES**

**Sources of Funds for Governmental Activities.** Revenues for the County's governmental activities for the year ended June 30, 2004 were \$1,970,970. Specifically, intergovernmental revenue is the greatest component of revenues (excluding surplus and transfers).

Bracken County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)

Revenues by Source.

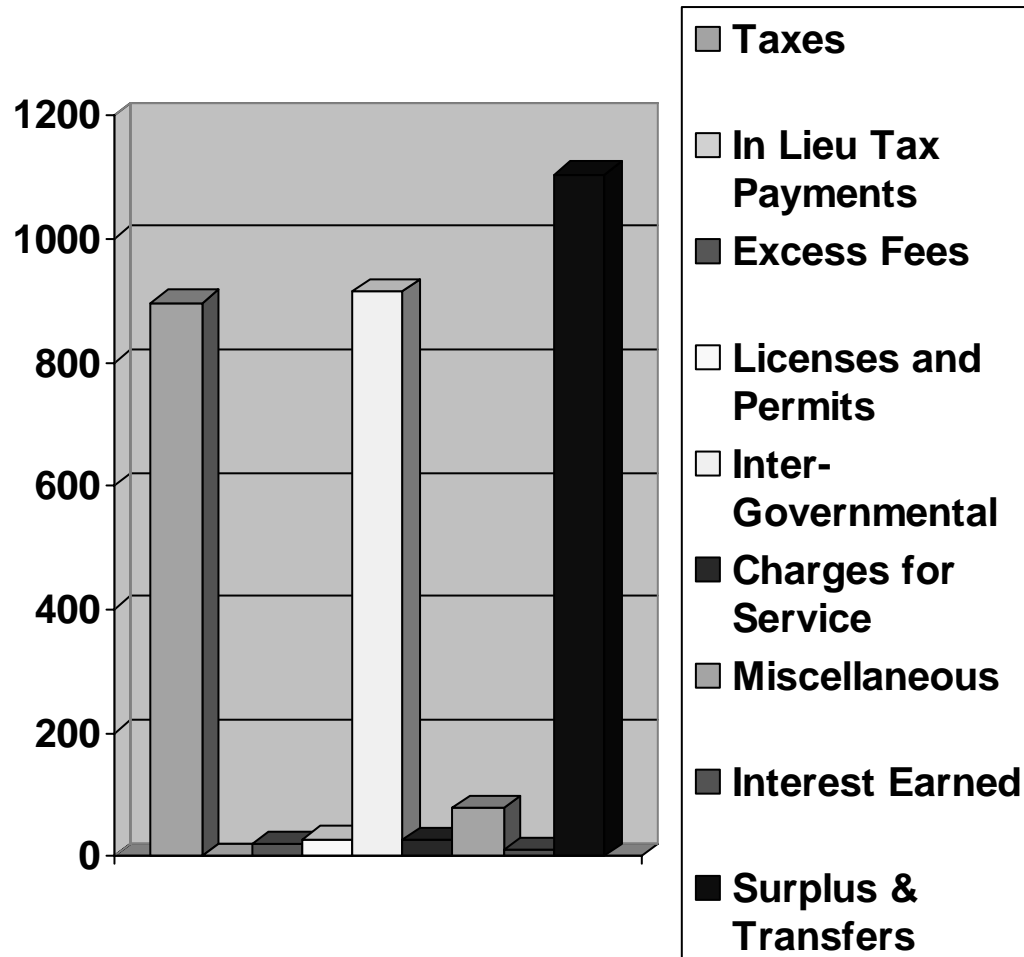
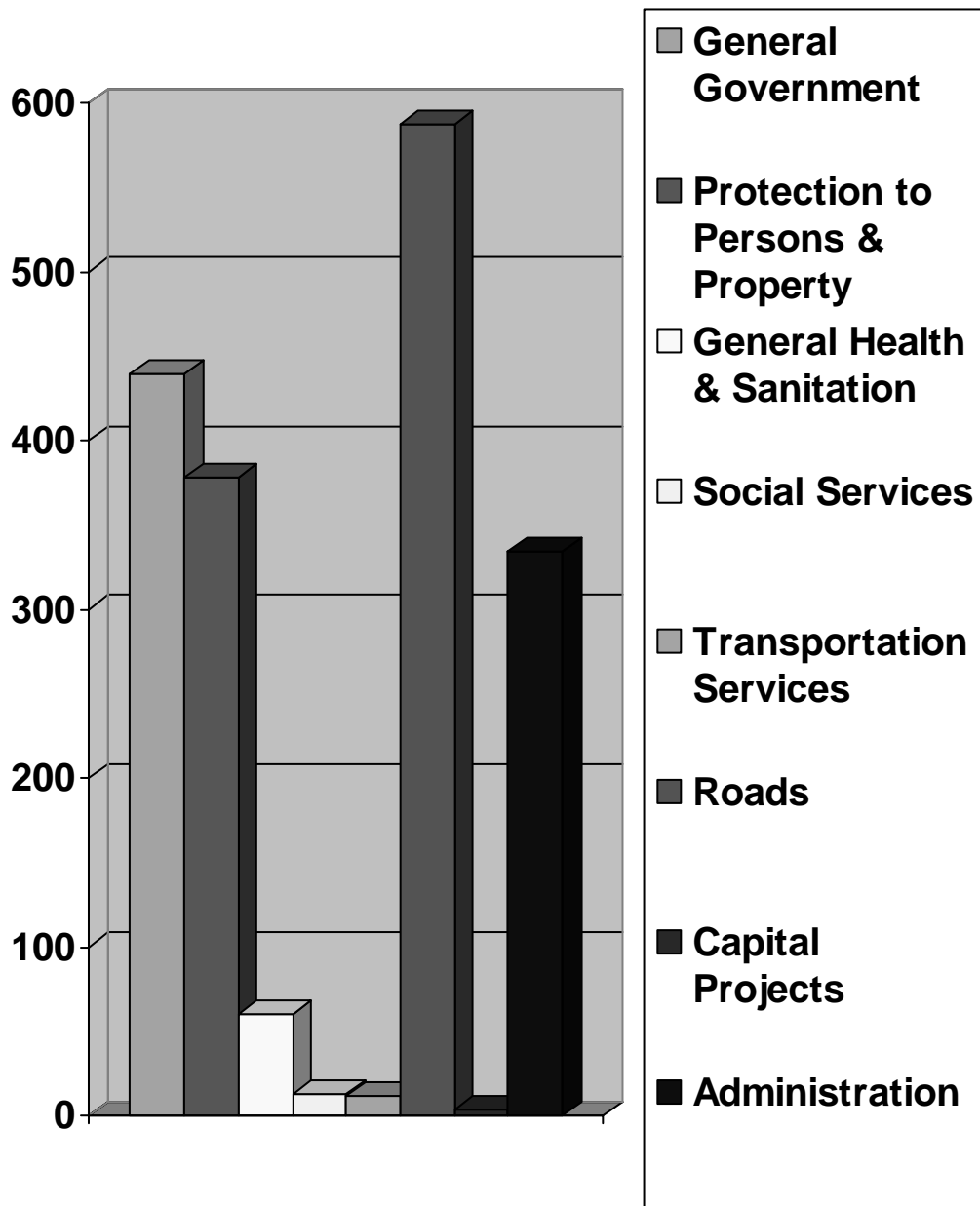


Table 1 - (in thousands)

**Bracken County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

**Uses of Funds in Government Activities.** For the year ended June 30, 2004, total expenses for governmental activities amounted to \$1,828,169.

**Table 2 - (in thousands)**



**Bracken County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

## **A FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

During the year, the Court revised the budget several times as new information indicated a need. Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

The General Fund reported revenues of \$1,132,595 (excluding prior year surplus), expenditures of \$1,009,020 and net transfers of \$77,480, resulting in a decrease in fund balance of \$46,095.

The Road Fund reported revenues of \$744,412 (excluding prior year surplus) and expenditures of \$621,307, resulting in an increase in fund balance of \$123,105.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** At the end of June 30, 2004, the County had invested in capital assets, net of depreciation.

Land	\$ 70,117
Buildings	1,096,374
Equipment	344,263
Vehicles	179,145
Totals	\$1,689,899

This year's most significant capital asset addition included E911 mapping equipment.

Infrastructure	\$ 453,453
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This asset represents only roads repaved in fiscal year 2004. This asset will increase as roads placed in service prior to fiscal year 2004 will be added in future years.

**Long-term Debt.** At the end of the year, the County had \$629,342 (principal) in long-term debt. This represents a 10% decrease. The County's long-term debt is comprised of one note with KACoLT with a fifteen-year maturity (08/20/2017). The debt service for this note is paid partially by AOC with remaining funds from the general fund (courthouse addition) and the Road Fund (loader).

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

For the year ending June 30, 2005, all funds have been budgeted consistently with this year.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Judge's office at 116 West Miami Street, P.O. Box 264, Brooksville, Kentucky 41004, or telephone 606-735-2300.

**BRACKEN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2004**





**BRACKEN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2004**

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,246,416
Total Current Assets	<u>1,246,416</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	70,117
Buildings	1,096,374
Vehicles	179,145
Equipment	344,263
Infrastructure Assets - Net of Depreciation	<u>453,453</u>
Total Noncurrent Assets	<u>2,143,352</u>
Total Assets	<u>3,389,768</u>
<b>LIABILITIES</b>	
Current Liabilities:	
KACoLT Financing Obligations	39,342
Noncurrent Liabilities:	
KACoLT Financing Obligations	<u>590,000</u>
Total Liabilities	<u>629,342</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	\$ 1,514,010
Unrestricted	<u>1,246,416</u>
Total Net Assets	<u>\$ 2,760,426</u>

The accompanying notes are an integral part of the financial statements.

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**BRACKEN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**

**BRACKEN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

		Program Revenues Received			
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 742,159	\$ 42,230	\$ 74,095	\$	
Protection to Persons and Property	329,217	17,216	82,161		
General Health and Sanitation	67,265				
Social Services	1,761				
Recreation and Culture	16,631				
Roads	227,736		735,192		
Airports	11,981				
Interest on Long-Term Debt	6,668				
Capital Projects	3,987				
Total Governmental Activities	1,407,405	59,446	891,448		
Total Primary Government	\$ 1,407,405	\$ 59,446	\$ 891,448	\$ 0	

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**BRACKEN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>	
<b>Primary Government</b>	
<b>Governmental Activities</b>	<b>Totals</b>
\$ (625,834)	\$ (625,834)
(229,840)	(229,840)
(67,265)	(67,265)
(1,761)	(1,761)
(16,631)	(16,631)
507,456	507,456
(11,981)	(11,981)
(6,668)	(6,668)
(3,987)	(3,987)
<u>(456,511)</u>	<u>(456,511)</u>
<u>(456,511)</u>	<u>(456,511)</u>
520,621	520,621
27,122	27,122
68,534	68,534
300,232	300,232
20,033	20,033
9,729	9,729
73,804	73,804
<u>1,020,075</u>	<u>1,020,075</u>
563,564	563,564
<u>2,196,862</u>	<u>2,196,862</u>
<u>\$ 2,760,426</u>	<u>\$ 2,760,426</u>

The accompanying notes are an integral part of the financial statements.

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**BRACKEN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2004**





**BRACKEN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2004**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 499,744	\$ 656,509	\$ 90,163	\$ 1,246,416
Total Assets	<u>\$ 499,744</u>	<u>\$ 656,509</u>	<u>\$ 90,163</u>	<u>\$ 1,246,416</u>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	\$	\$ 6	\$ 84	\$ 90
Unreserved:				
General Fund	499,744			499,744
Special Revenue Funds		656,503	90,079	746,582
Total Fund Balances	<u>\$ 499,744</u>	<u>\$ 656,509</u>	<u>\$ 90,163</u>	<u>\$ 1,246,416</u>

**Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:**

Amounts Reported For Governmental Activities In The Statement

Of Net Assets Are Different Because:

Capital Assets Used in Governmental Activities Are Not Financial Resources

And Therefore Are Not Reported in the Funds. 2,943,882

Accumulated Depreciation (800,530)

Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.

KACoLT Financing Obligations (629,342)

Net Assets Of Governmental Activities \$ 2,760,426

2,760,426

The accompanying notes are an integral part of the financial statements.

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**BRACKEN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

**BRACKEN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

	<u>General Fund</u>	<u>Road Fund</u>
<b>REVENUES</b>		
Taxes	\$ 896,417	\$
In Lieu Tax Payments	131	
Excess Fees	20,032	
Licenses and Permits	27,093	
Intergovernmental	140,932	713,081
Charges for Services	10,739	
Miscellaneous	33,274	26,439
Interest	3,977	4,892
Total Revenues	<u>1,132,595</u>	<u>744,412</u>
<b>EXPENDITURES</b>		
General Government	401,774	
Protection to Persons and Property	224,643	
General Health and Sanitation	60,104	5,500
Social Services	500	
Recreation and Culture	13,285	
Roads		510,681
Airports	11,981	
Debt Service	57,222	9,671
Capital Projects		3,987
Administration	239,511	91,468
Total Expenditures	<u>1,009,020</u>	<u>621,307</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>123,575</u>	<u>123,105</u>
<b>Other Financing Sources (Uses)</b>		
Transfers From Other Funds	520	
Transfers To Other Funds	(78,000)	
Total Other Financing Sources (Uses)	<u>(77,480)</u>	
Net Change in Fund Balances	46,095	123,105
Fund Balances - Beginning (Restated)	453,649	533,404
Fund Balances - Ending	<u>\$ 499,744</u>	<u>\$ 656,509</u>

The accompanying notes are an integral part of the financial statements.

**BRACKEN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 896,417
	131
	20,032
	27,093
59,527	913,540
15,423	26,162
18,151	77,864
862	9,731
<u>93,963</u>	<u>1,970,970</u>
5,497	407,271
127,631	352,274
	65,604
	500
	13,285
60,956	571,637
	11,981
	66,893
	3,987
3,758	334,737
<u>197,842</u>	<u>1,828,169</u>
(103,879)	142,801
78,000	78,520
(520)	(78,520)
<u>77,480</u>	
(26,399)	142,801
116,562	1,103,615
<u>\$ 90,163</u>	<u>\$ 1,246,416</u>

The accompanying notes are an integral part of the financial statements.

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**BRACKEN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**





**BRACKEN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$	142,801
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		471,365
Depreciation Expense		(110,827)

Lease principal payments are expensed in the Governmental Funds as a use of current financial resources.

KACoLT Financing Obligations		60,225
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Change in Net Assets of Governmental Activities	\$	563,564
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TO THE FINANCIAL STATEMENTS**

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**BRACKEN COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2004**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Bracken County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14 and GASB 39 there are no component units which merit consideration as part of the reporting entity.

Additional – Bracken County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

Kentucky law provides for election of the officials above from the geographic area constituting Bracken County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

**BRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The government-wide statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all governmental funds. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.

**BRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds**

The government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund and is presented as a Special Revenue Fund.

The government also has the following non-major funds: Jail Fund, Local Government Economic Assistance (LGEA) Fund, State Grants Fund, Federal Grants Fund, Senior Citizens Fund, and Special Fund, which are presented as Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) October 1, due at discount October 30, due at face value December 31, delinquent January 1 following assessment, and subject to lien and sale on April 10 following the delinquency date.

**D. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**E. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, vehicles, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

**BRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Capital Assets (Continued)**

Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset. Bracken County Fiscal Court did not set a capitalization threshold for Intangibles and did not set a useful life for Building Improvements and Vehicles.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10 - 60
Buildings	\$ 25,000	10 - 75
Building Improvements	\$ 25,000	
Machinery and Equipment	\$ 2,500	3 -25
Infrastructure	\$ 20,000	10 - 50
Intangibles		2-40
Vehicles	\$ 2,500	

**F. Long-term Obligations**

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**G. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balance may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

**BRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Fund Equity (Continued)**

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**H. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2004, the primary government’s deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the county’s agent in the county’s name.

**Note 3. Operating Leases**

The Bracken County Fiscal Court was committed to a lease agreement with Modern Office Methods for a copier. This lease was completed during fiscal year 2004. In January 2004, Bracken County Fiscal Court entered into a lease agreement for a new copier, also with Modern Office Methods. The terms of the agreement require 60 monthly payments of \$221. The balance was \$11,928 as of June 30, 2004.

**BRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 70,117	\$	\$	\$ 70,117
Total Capital Assets Not Being Depreciated	70,117			70,117
Capital Assets, Being Depreciated:				
Buildings	1,179,120			1,179,120
Vehicles	368,766	10,565		379,331
Equipment	764,577	58,470		823,047
Infrastructure	89,937	402,330		492,267
Total Capital Assets Being Depreciated	2,402,400	471,365		2,873,765
Less Accumulated Depreciation For:				
Buildings	(67,541)	(15,205)		(82,746)
Vehicles	(179,446)	(20,740)		(200,186)
Equipment	(436,720)	(42,064)		(478,784)
Infrastructure	(5,996)	(32,818)		(38,814)
Total Accumulated Depreciation	(689,703)	(110,827)		(800,530)
Total Capital Assets, Being Depreciated, Net	1,712,697	360,538		2,073,235
Governmental Activities Capital Assets, Net	\$ 1,782,814	\$ 360,538	\$ 0	\$ 2,143,352

Depreciation expense was charged to functions of the primary government as follows:

General Government	\$ 19,796
Protection to Persons and Property	17,807
General Health and Sanitation	1,661
Roads, Including Depreciation of General Infrastructure Assets	66,956
Social Services	1,261
Recreation and Culture	3,346
Total Depreciation Expense - Governmental Activities	<u>\$ 110,827</u>



**BRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 5. Short-term Debt**

In July 2003, Bracken County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$295,700 with principal being due in January 2004. While the County did not use borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Advance Revenue Program of \$86.

**Note 6. Long-term Debt**

**A. Capital Lease – 911 Equipment**

On May 21, 1999 the Bracken County Fiscal Court entered into a five-year, \$126,971 lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) to purchase 911 equipment. The lease calls for monthly principal and interest payments. This lease was scheduled to be paid off during fiscal year 2004. However, due to a billing error, one payment was not made. The Treasurer has received the necessary invoice and the final payment is scheduled to be approved at the March 2005 fiscal court meeting. The remaining principal balance of this lease as of June 30, 2004 was \$2,342.

Liabilities of the General Fund are:

Fiscal Year Ended June 30	Governmental Activities		Scheduled Fees
	Principal	Interest	
2005	\$ 2,342	\$ 8	\$ 2

**B. Capital Lease – Courthouse Addition and Wheel Loader**

Bracken County entered into a fifteen-year, \$696,000 lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) to build an addition onto the courthouse and to purchase a wheel loader. The lease agreement calls for an annual principal payment due each January 20. Interest payments are to be made monthly. The remaining principal balance of this lease as of June 30, 2004 was \$627,000.

**BRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**B. Capital Lease – Courthouse Addition and Wheel Loader (Continued)**

Liabilities of the General Fund and the Road Fund are:

Fiscal Year Ended June 30, 2004	Governmental Activities		Scheduled Fees
	Principal	Interest	
2005	\$ 37,000	\$ 23,363	\$ 4,800
2006	38,000	21,933	4,506
2007	40,000	20,450	4,201
2008	42,000	18,890	3,881
2009	44,000	17,254	3,545
2010-2014	250,000	59,051	12,132
2015-2017	176,000	10,836	2,226
Totals	<u>\$ 627,000</u>	<u>\$ 171,777</u>	<u>\$ 35,291</u>

The General Fund supports the capital lease for the courthouse renovations. The principal balance as of June 30, 2004 totaled \$550,574.

The Road Fund supports the capital lease for the wheel loader. The principal balance as of June 30, 2004 totaled \$76,426.

**Note 7. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
KACoLT Financing					
Obligations	\$ 689,567	\$	\$ 60,225	\$ 629,342	\$ 39,342
Governmental Activities					
Long-term Liabilities	<u>\$ 689,567</u>	<u>\$ 0</u>	<u>\$ 60,225</u>	<u>\$ 629,342</u>	<u>\$ 39,342</u>

**BRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 8. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

**Note 9. Insurance**

For the fiscal year ended June 30, 2004, Bracken County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 10. Changes in Accounting Principles and Prior Period Adjustments**

The county has elected to implement Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The effect of this change on the beginning net assets of the governmental activities is an increase of \$1,093,247 due to capital assets previously not reported and the effect of long-term debt. The beginning fund balance of the General Fund has been increased by \$9 due to a prior year voided check.

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**BRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004**

**BRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information – Modified Cash Basis**

For The Year Ended June 30, 2004

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 736,000	\$ 736,000	\$ 896,417	\$ 160,417
In Lieu Tax Payments			131	131
Excess Fees	3,179	3,179	20,032	16,853
Licenses and Permits	2,000	2,000	27,093	25,093
Intergovernmental Revenue	80,290	80,290	140,932	60,642
Charges for Services	13,000	13,000	10,739	(2,261)
Miscellaneous	2,900	2,900	33,274	30,374
Interest	6,900	6,900	3,977	(2,923)
Total Revenues	844,269	844,269	1,132,595	288,326
<b>EXPENDITURES</b>				
General Government	427,774	446,426	401,774	44,652
Protection to Persons and Property	152,785	237,579	224,643	12,936
General Health and Sanitation	50,312	67,951	60,104	7,847
Social Services	1,000	1,000	500	500
Recreation and Culture	16,400	13,286	13,285	1
Airports	16,007	16,007	11,981	4,026
Debt Service	69,681	59,539	57,222	2,317
Administration	370,615	262,786	239,511	23,275
Total Expenditures	1,104,574	1,104,574	1,009,020	95,554
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(260,305)	(260,305)	123,575	383,880
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	650	650	520	(130)
Transfers To Other Funds	(126,173)	(126,173)	(78,000)	48,173
Total Other Financing Sources (Uses)	(125,523)	(125,523)	(77,480)	48,043
Net Changes in Fund Balance	(385,828)	(385,828)	46,095	431,923
Fund Balance - Beginning (Restated)	385,828	385,828	453,649	67,821
Fund Balance - Ending	\$ 0	\$ 0	\$ 499,744	\$ 499,744

**BRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 804,863	\$ 804,863	\$ 713,081	\$ (91,782)
Miscellaneous	2,000	2,000	26,439	24,439
Interest	6,000	6,000	4,892	(1,108)
Total Revenues	812,863	812,863	744,412	(68,451)
<b>EXPENDITURES</b>				
General Health and Sanitation	15,000	20,500	5,500	15,000
Roads	791,205	829,354	510,681	318,673
Debt Service	10,951	10,951	9,671	1,280
Capital Projects	7,000	7,000	3,987	3,013
Administration	524,917	481,268	91,468	389,800
Total Expenditures	1,349,073	1,349,073	621,307	727,766
Excess (Deficiency) of Revenues Over Expenditures	(536,210)	(536,210)	123,105	659,315
Net Changes in Fund Balance	(536,210)	(536,210)	123,105	659,315
Fund Balance - Beginning	536,210	536,210	533,404	(2,806)
Fund Balance - Ending	\$ 0	\$ 0	\$ 656,509	\$ 656,509

**BRACKEN COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2004**

**Budgetary Information**

Annual budgets are adopted on a modified cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.



**BRACKEN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2004**

**BRACKEN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2004**

	<b>Jail Fund</b>	<b>LGEA Fund</b>	<b>State Grants Fund</b>	<b>Federal Grants Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 5,972	\$ 12,622	\$	\$
Total Assets	<u>\$ 5,972</u>	<u>\$ 12,622</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>FUND BALANCES</b>				
Reserved For:				
Encumbrances	\$ 84	\$	\$	\$
Unreserved:				
Special Revenue Funds	<u>5,888</u>	<u>12,622</u>		
Total Fund Balances	<u>\$ 5,972</u>	<u>\$ 12,622</u>	<u>\$ 0</u>	<u>\$ 0</u>

**BRACKEN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2004**  
**(Continued)**

<b>Senior Citizens Fund</b>	<b>Special Fund</b>	<b>Total Non-Major Governmental Funds</b>
<u>\$ 16,822</u>	<u>\$ 54,747</u>	<u>\$ 90,163</u>
<u>\$ 16,822</u>	<u>\$ 54,747</u>	<u>\$ 90,163</u>
\$	\$	\$ 84
<u>16,822</u>	<u>54,747</u>	<u>90,079</u>
<u>\$ 16,822</u>	<u>\$ 54,747</u>	<u>\$ 90,163</u>

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**BRACKEN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2004**

**BRACKEN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2004**

	<b>Jail Fund</b>	<b>LGEA Fund</b>	<b>State Grants Fund</b>	<b>Federal Grants Fund</b>
<b>REVENUES</b>				
Intergovernmental	\$ 28,924	\$ 25,803	\$	\$
Charges for Services	15,423			
Miscellaneous	14,091			
Interest	27	267		
Total Revenues	<u>\$ 58,465</u>	<u>\$ 26,070</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>EXPENDITURES</b>				
General Government	\$	\$	\$	\$
Protection to Persons and Property	127,631			
Roads		60,956		
Administration	3,758			
Total Expenditures	<u>\$ 131,389</u>	<u>\$ 60,956</u>	<u>\$ 0</u>	<u>\$ 0</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(72,924)</u>	<u>(34,886)</u>		
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds	78,000			
Transfers To Other Funds				
Total Financing Sources (Uses)	<u>78,000</u>			
Net Change in Fund Balances	5,076	(34,886)		
Fund Balances - Beginning	896	47,508		
Fund Balances - Ending	<u><u>\$ 5,972</u></u>	<u><u>\$ 12,622</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

**BRACKEN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Senior Fund</b>	<b>Special Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$	\$ 4,800	\$ 59,527
		15,423
4,060		18,151
48	520	862
<u>\$ 4,108</u>	<u>\$ 5,320</u>	<u>\$ 93,963</u>
\$ 5,497	\$	\$ 5,497
		127,631
		60,956
		3,758
<u>\$ 5,497</u>	<u>\$ 0</u>	<u>\$ 197,842</u>
<u>(1,389)</u>	<u>5,320</u>	<u>(103,879)</u>
		78,000
	(520)	(520)
	(520)	77,480
(1,389)	4,800	(26,399)
18,211	49,947	116,562
<u>\$ 16,822</u>	<u>\$ 54,747</u>	<u>\$ 90,163</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Leslie Newman, Bracken County Judge/Executive  
Members of the Bracken County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated March 11, 2005. Bracken County prepares its financial statements in accordance with a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bracken County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bracken County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing opinions on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such opinions. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of Bracken County Fiscal Court, management, and the Governor's Office of Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
March 11, 2005

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**BRACKEN COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2004**

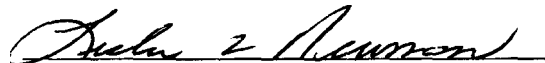


CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

BRACKEN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Bracken County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "Leslie Newman", written over a horizontal line.

Leslie Newman  
Bracken County Judge/Executive

A handwritten signature in cursive script, appearing to read "Judith Brothers", written over a horizontal line.

Judith Brothers  
Bracken County Treasurer